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SECURITY INFORMATION

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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SOVIET UNION

1. Indian Communist Party invited to send delegate to 19th Party Congress: Ajoy Ghosh, general secretary of the Communist Party of India, has been invited to attend the 19th Party Congress in Moscow as a fraternal delegate, according to an announcement by the party's Calcutta headquarters. (U New Delhi 981, 6 Sept 52)

Comment: This is the second indication that the Communist Party of the USSR is inviting delegations from non-Soviet Communist Parties to attend the 19th Party Congress. An invitation has been accepted by the Israeli Communist Party, which will be represented by its secretary, Mikunis, and Tewfik Toubi, both of whom are parliamentary deputies. It has also been reported that the secretaries of all national Communist Parties will meet in Moscow on 15 October after the Congress.

EASTERN EUROPE

2. Italian Foreign Office concerned over instability in Albania: The Italian Foreign Office is much concerned over the present unstable situation in Albania. Although the Foreign Office believes that Premier Hoxha's days are numbered, it sees in Hoxha's speech on 20 August, in which he stated that Albania could not easily be defeated because she had allies to protect her, a possible indication that the Albanians have received reassurance from the USSR against the consequences of Yugoslav activities in Albania.

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Comment: The USSR has provided Albania considerable economic but little military, assistance, and it has carefully avoided any military commitments. Only Bulgaria has a formal mutual assistance pact with Albania.

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There is no evidence of an imminent Yugoslav-inspired governmental coup in Albania or of Soviet willingness to risk a war to secure Albania's position in the Soviet Orbit.

3. Czechs impressed by air show marking Czech Air Force Day:  
The American Embassy reports that the air show on 7 September which marked Czech Air Force Day obviously impressed the 150,000 Czechs who observed it. Soviet Ambassador Bogomolov and Military Attache Gusev occupied the seats of honor at the flypast which, although displaying approximately the same aircraft as shown on Liberation Day last May, was significantly better executed. (C Prague 153, 8 Sept 52)

Comment: The Czech Air Force is apparently showing results of the training of pilots in the USSR. Its increased capabilities are evidenced by the fact that Czech jet planes started flying border patrols early in June and are now claiming publicly that no American planes dare to approach the frontier for fear of Czech interception.

In previous Air Force displays, formation flying was not well executed and was susceptible to interception by adverse weather conditions. Rain and poor visibility this year had no apparent effect on the flypast.

4. Major explosion reported near Budapest: The US Legation in Budapest reports that a major explosion followed by a fire occurred at a town about fifteen kilometers north of the center of Budapest on 8 September. Attempted visits to the fire area showed extreme security measures by police, military and paramilitary organizations. The cause of the explosion is unknown, but it is speculated that a chemical or ammunition dump or an explosives factory blew up. (C Budapest 232, 8 Sept 52)

5. Rumanians allegedly violate Yugoslav diplomatic immunity:  
The Belgrade radio has announced that Rumanian police attempted to throw three Yugoslav diplomats off a train at Cernavoda, accusing them of having taken photographs in a prohibited area. The Yugoslav Charge, who was involved, protested at the Rumanian Foreign Office against this "breach of diplomatic immunity."

The Yugoslavs consider that "the attack was designed in Bucharest in order to worsen relations with Yugoslavia."

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They recall the "countless incidents" along the Yugoslav frontier and "other forms of pressure," including "intolerable" living and work conditions of the Yugoslav diplomats in Bucharest. (R FBIS Belgrade, 7 Sept 52)

Comment: If the Yugoslavs were actually taking photographs in the restricted Dobrudja area, the Rumanian action could be expected now that Yugoslavia is considered a member of the "imperialist camp."

The charge that Bucharest is trying to worsen relations follows another recent diplomatic incident between Yugoslavia and Bulgaria and will probably be used to support the Yugoslav resolution in the UN which proposes standardization of treatment of diplomatic representatives.

6. Yugoslavs estimate future food import requirements as a result of drought: Yugoslav officials estimate that they will be unable to finance \$55,000,000 of their food import requirements for the coming year. They plan to import 700,000 metric tons of wheat, of which 360,000 tons have already been contracted for, and 200,000 tons of corn, as well as other food imports. These quantities would maintain a normal rate of consumption of basic foodstuffs and sufficient feeding of livestock.

The Embassy views these estimates as optimum requirements, not as minimum real needs. (C Belgrade 308, 7 Sept 52)

Comment: The estimated \$55,000,000 deficit on future food imports is more serious than the figure indicates, because in normal years Yugoslavia is a net exporter of food. Previously, the Yugoslavs claimed that the total foreign exchange losses resulting from the drought would be \$150,000,000, but IBRD representatives estimated \$120,000,000. However, an unknown volume of reserve food stocks and foreign exchange reserves resulting from an unexpectedly large volume of exports in the first half of 1952 will reduce the minimum extra needs for foreign exchange to less than \$120,000,000. Some short term foreign credits have been negotiated with Turkey and with the Chase National Bank for Canadian wheat, but this merely increases foreign exchange deficits in future years.

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FAR EAST

- 25X1C 7. Rhee may attempt to reimpose control over Liberal Party: [redacted] President Rhee in late August requested the Liberal Party members outside the National Assembly to set up a supreme council to take the place of their present vice chairman. A similar request had also been made by the pro-Rhee Liberals in the Assembly. Prior to 3 September the "outside" Liberals agreed to the plan and Rhee was to appoint a "reform cabinet" in the near future, chosen from "outside" Liberals who are not currently holding office. [redacted] Rhee's desire to set up a supreme council is twofold; to re-establish his control over the party and to check the power of Yi Pom-sok, the current vice chairman. [redacted]
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Comment: With the House of Councilors elections and the National Assembly by-elections scheduled for the near future, it is probable that Rhee will effect some sort of rapprochement with the Liberal Party.

8. Manchurian official deviates from party line on Soviet Army role: Kao Chung-min, one of three vice chairmen of the Northeast People's Government, asserted at the V-J Day ceremonies in Mukden that the "liberation" of Manchuria was accomplished by "the heroic fighting of the Chinese People's Liberation Army, supported by all the Chinese people and the entry of the Soviet Army. . . ." (R FBIS Peiping, 4 Sept 52)

Comment: The full text of Mao Tse-tung's V-J Day message to Stalin showed that Mao, while reaffirming the Chinese claim to have played the leading role in the war against Japan, endorsed the Soviet claim to have defeated the Kwangtung Army, the "main force" of the Japanese Army, in Manchuria in August 1945.

In asserting that, on the contrary, the Chinese had played the leading role in Manchuria and had merely been "supported" by the Soviet Army, Kao Chung-min may simply have been ignorant of the party line. Peiping's broadcast of Kao's remarks, two days after the line had been disseminated, is less easily explained.

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9. Communists claim business revival in Shanghai: A Peiping news broadcast asserts that an industrial and commercial boom is under way in Shanghai. The volume of business during the East China trade conference from 25 May to 13 June is said to have been three times the original target. (R FBIS Peiping, 5 Sept 52)

Comment: A trade depression during the first half of the year resulted from the Communist "anti-vices" campaign attacking businessmen. Some recovery was expected to follow the cessation of this campaign, but reliable reports have not yet been received to confirm the Communist claims of a business revival.

- 25X1X 10. Chinese Communist army demobilization reports continue: A [ ] source on 3 September reported that he knew personally of the actual demobilization in Kiangsi of 10,000 regular Chinese Communist troops and had also heard that 80,000 troops had been demobilized there between February and August. According to his report most of the demobilized men were Korean war veterans apparently from different armies. (S Hong Kong, Joint Weeka 36, 6 Sept 52)

Comment: This is the first report which has stated that the "demobilization" has been limited to Korean veterans. Other reports have suggested that units are being demobilized to allow the troops to be used for agricultural work. It is possible that they can be so used without deactivating any units.

#### SOUTHEAST ASIA

11. Reorganization of French administration in Indochina planned: A French administrative reform commission in Indochina has submitted recommendations for the replacement of the French High Commissariat by a small high-level organization for Southeast Asia. The new organization would be roughly comparable to Malcolm MacDonald's Commission General, and would entail sweeping cuts in the number of French personnel.

While the plan faces many difficulties, American Ambassador Heath sees in it the possibility that the French Union concept "may possess greater evolutionary elasticity than some observers have supposed." (S Saigon 537, 8 Sept 52)

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Comment: If this plan is approved by the French parliament, the resultant alterations of the French administrative structure in Indochina should have a salutary effect on Vietnamese public opinion.

12. General Phao reportedly negotiating with former Thai army leaders: [redacted] 25X1C
- Police Director General Phao has offered to restore to their former high positions in the army two recently released participants in the unsuccessful 1948 military counter coup. One of the two generals has refused to re-enter the army under any conditions, while the other will resume his career only on condition that a general amnesty be granted to all participants in the 1948 coup attempt and all leaders be reinstated in the army. [redacted] 25X1A

Comment: If true, this report indicates that Phao is attempting to enhance his influence in the army, where his chief rival, General Sarit, enjoys widespread popularity.

13. Thai Premier's views on collective defense in Pacific:  
In a recent press interview, Premier Phibun endorsed in general the principle of defensive alliances, but did not commit Thailand to a Pacific defense system. Thailand, he stated, would observe the attitudes of other interested powers, "especially those taking the initiative." Burma and Indochina, according to Phibun, would be important parties in any consideration of southeast Asian defensive alliances.

The American Embassy in Bangkok interprets Phibun's statements as an attempt to "nudge" the United States into extending security arrangements to Thailand, which, in the absence of firm Western guarantees, considers itself "politically overextended." (C Bangkok 372, 29 Aug 52)

14. American Ambassador to Thailand recommends termination of rubber agreement: Ambassador Stanton recommends termination of the unpopular US-Thai rubber purchasing agreement, which he maintains is rapidly becoming a domestic political issue. He believes that termination would demonstrate American desire for "open-minded cooperation" with the Thai Government, neutralize Communist charges that the agreement forced Thailand to sell rubber at unfavorable

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prices, and relieve the US of the necessity of continued purchases of unwanted low-grade rubber. (C Bangkok 409, 6 Sept 52)

Comment: Although the agreement is based on world prices, there is widespread belief in Thailand that it is restrictive and prevents producers from selling rubber to other buyers under more favorable terms. Opposition groups, especially the Communists, blame the agreement rather than falling world prices for the current rubber slump in southern Thailand.

SOUTH ASIA

15. Kashmir Assembly President plans Moscow visit: A recent report that Ghulam Sadiq, President of the Kashmir Constituent Assembly, intends to visit Moscow in November for medical treatment suggests that Sadiq will report to the Kremlin on recent Communist activity in Kashmir and seek instructions for future action. Sadiq, who like Thorez will probably be a guest of the Soviet Government, also wishes to visit Eastern European countries.

Sadiq, the most prominent leftist and suspected Communist in Kashmir, is one of the Prime Minister's closest advisers. The announcement of his projected visit comes just a month after the first Communist-line "peace" conference and two weeks following the first public Communist Party meeting in Kashmir. These events suggest that the Communists now feel strong enough to conduct regular overt operations. (Factual data from: U New Delhi 990, 8 Sept 52)

NEAR EAST - AFRICA

16. Greek Prime Minister said to have picked successor as party head: Greek Prime Minister Plastiras has chosen Minister of Commerce Savvas Papapolitis to succeed him as leader of EPEK, [REDACTED]

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Comment: Papapolitis, a close friend of the ailing Plastiras, has emerged as one of the most prominent EPEK figures. He has a history of Communist affiliations and

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his brother owns a Communist-line newspaper in Athens. There are at least two other Plastiras lieutenants who might contest the control of a new leader.

17. German military advisers gain influence in Egypt:  
German officers advising the Egyptian Government believe that their positions are more secure as a result of the July military coup. The officers reportedly will remain in Egypt unless more favorable opportunities develop for them in West Germany.

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[REDACTED]  
[REDACTED] General Fahrmbacher, chief German military adviser, met privately with General Nagib several times prior to the July coup. On these occasions Fahrmbacher allegedly furnished Nagib with detailed plans for occupying and holding Cairo.

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Immediately following the coup Nagib praised the German officers in the presence of both his Egyptian military staff and the German advisers. [REDACTED]  
[REDACTED]

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Comment: Several reports have indicated that the German military advisers in Egypt played a smaller part in the military coup than press accounts have suggested.

This group, which has been characterized as an economic mission, consists of approximately 25 officers. Thus far the Bonn government has shown no interest in securing their services.

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WESTERN EUROPE

18. Communists plan international conference on German problem: A preparatory committee for an international conference for the "peaceful solution of the German problem" met in Prague on 4 September. The meeting, attended by British, East German, Belgian, French and Czech delegates, drew up resolutions against the West German threat to the "peace campaign." (C Prague 150, 5 Sept 52)

Comment: The Communist meeting is one of three commissions set up at the World Peace Council in Berlin to prevent ratification of the EDC and contractual agreements. It is probably now designed to allay any fears of East European Satellites regarding East German rearmament. In a speech of 5 September, East German Foreign Minister Dertinger felt the need to point out that East German rearmament was for peaceful purposes.

19. Leipzig Fair used for Soviet propaganda: In a speech at the opening of the Leipzig Fair on 7 September the Deputy Prime Minister of the German Democratic Republic described one of its primary missions as the promotion of East-West trade in line with the great effort initiated earlier this year by the Moscow Economic Conference. (R FBIS Berlin, 8 Sept 52)

Comment: At the Vienna Fair the USSR is exhibiting a variety of Soviet industrial and consumer products but apparently is not taking orders, advertising only that a number of the sample items may be purchased after the closing of the fair. The Satellite countries are expected to stage exhibits on a smaller scale at succeeding trade fairs in other European cities.

20. West German parties to oppose discussions with East German commission: According to American officials in Bonn, the 5 September proposal of the East German Government to send a five-man delegation to the Federal Republic to discuss unification will be opposed by all leading West German political parties. The politicians available for comment have generally rejected the offer as a ruse.

Even the executive committee of the opposition Social Democratic Party has declared that "under no circumstances" could the West German parliament negotiate with the East German parliament since such negotiations were reserved for the four occupation powers. (C Bonn 1028, 6 Sept 52)

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Comment: Bonn has not yet officially received the East German proposal. In the probable event of its rejection, the East German Government may try to prolong its propaganda maneuver by getting West German Communist-front groups to send "unofficial" representatives.

21. Socialist opposition to Bonn's foreign policies seen moderating: The West German Social Democratic Party is already showing signs of moderating its opposition to the government's foreign policies following the death of its former leader, Kurt Schumacher.

At a recent party meeting, Carlo Schmid, chairman of the parliamentary foreign affairs committee, boldly advocated that the party reverse its stand on European integration after the ratification of the Bonn and Paris treaties. He also declared that the party should develop aggressive policies which would accelerate the development of a united Europe.

While his statements were received with interest and apparently without opposition, such a switch in party tactics is somewhat unlikely, because the party's opposition has become too extreme to be suddenly reversed prior to next year's federal elections, now tentatively scheduled for June. Because Schmid will play an even larger role in party affairs than previously, however, he and other moderates will at least soften the opposition to Adenauer's foreign policies. (Factual data from: C Bonn 891 and 1016, 8 Aug and 6 Sept 52)

22. Three Saar officials protest against possible reintegration with Germany: Following press reports on the possible return to Germany of that portion of the Saar which was German prior to 1945, three Saar officials from this area filed oral protests in early August with the Saar Minister of the Interior against exclusion of any part of their districts from Europeanization.

The American Consulate in Strasbourg observes that these officials may have been acting to protect their political future, but that it seems more reasonable to assume that each was acting on what he conceives to be the desire of the population concerned. (S Strasbourg Desp 28, 4 Aug 52)

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Comment: The Saarlanders are showing increasing enthusiasm for Europeanization which would protect the economic advantages they already enjoy and also bring with it the benefit of having the Schuman Plan High Authority located in Saarbruecken.

LATIN AMERICA

23. Argentine revolt reportedly scheduled for mid-September:  
An Argentine revolt starting in the interior provinces is scheduled for mid-September [REDACTED]

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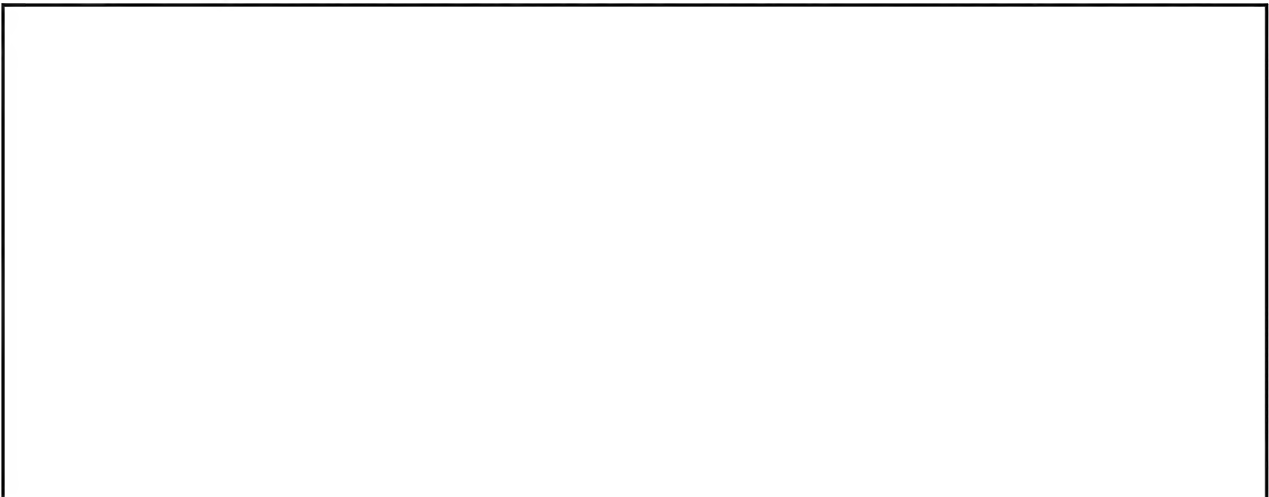
[REDACTED]. Civilians, as well as members of the armed forces, will participate. The new government is to be temporarily headed by an army-navy-air triumvirate.

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The government-dominated General Confederation of Labor recently distributed 8,000 pistols to "loyal" followers. The underground was immediately able to buy 1,200 of them. (S USNAVA Buenos Aires, 051935Z Sept 52; S USNAVA Montevideo, 051345Z Sept 52)

Comment: An Argentine exile recently told the US Embassy in Montevideo that eleven unidentified army generals and certain military garrisons were "completely in sympathy" with a revolt against the government. He also stated that Peron undoubtedly suspects a revolt, but does not know where to look for it. This revolutionary group reportedly includes men involved in the September 1951 attempt led by the anti-US General Menendez.

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25. Venezuelan reaction to American "oil cartel" investigation still undecided: Venezuelan reaction to the US Federal Trade Commission's report on the alleged international cartel arrangements of major American oil companies is still cautious and guarded. Six of the seven companies accused operate in Venezuela, and three of them are responsible for over 85 percent of the country's production.

Although the two major political parties and several prominent dailies have renewed their periodic attacks on "big companies" and the Venezuelan petroleum laws, opinion in general seems to be that the accusations must be examined carefully and that whatever the outcome, the charges will play into the hands of Communists everywhere. The government, which stands to lose prestige if it appears to have been duped, has commented merely that final judgment must await the outcome of court proceedings.

In the past, neither the Venezuelan Government nor any important segment of public opinion has favored "cracking down" on the American companies, most of which have good public relations and have provided valued public services. Now, however, there appears to be a growing feeling that an investigation in Venezuela similar to the one in the United States will be a political necessity. At least one top Venezuelan official hopes that such an investigation can be avoided, but fears that the publicity received so far will force the government to be "tougher" in its dealings with the companies. (Factual data from: C Caracas 98, 3 Sept 52; R Caracas Weeka 36, 2 Sept 52; R Caracas 93, 29 Aug 52; U La Prensa (NY), 28 Aug 52)

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